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Report Highlights:

Increasing consumer demand for new and better quality food products, an expanding economy, a population of 145 million, and favorable changes in Euro/Dollar and Ruble/Dollar exchange rates make Russia an attractive market for U.S. exporters. With rapid growth in food retail (sales up 22% in 2002), HRI (up 28%), and food processing (up 14%), the Russian market offers good prospects for a wide range of U.S. consumer-ready food and beverage products, as well as food ingredients.

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SECTION I. MARKET OVERVIEW

KEY POINTS

- ❖ Russia offers U.S. exporters a potentially huge market – 145 million consumers ...
- ❖ ... although physical size (double the U.S. area, 10 time zones!) presents a challenge
- ❖ Population is 70 percent urban - 10 cities with population of 1 million or more
- ❖ Bulk of the population is west of the Ural Mountains (European Russia) ...
- ❖ ... but the Russian Far East (RFE) offers a natural market from U.S. West Coast
- ❖ Moscow is the engine of growth...
 - Nearly 20 million consumers in the region
 - Accounts for more than 30 percent of total retail trade
 - Attracts about 40 percent of foreign investment
 - Per capita income is three times the national average
- ❖ However, economic prosperity is spreading quickly to St. Petersburg and other cities
- ❖ Per capita GDP was \$2,400 in 2002 - Purchasing Power Parity was \$8,300
- ❖ GDP increased by 7.3 percent in 2003 - fifth straight year of strong economic growth
- ❖ Consumer incomes have grown even faster, topped off by an estimated 14 percent jump in 2003
- ❖ Growing consumer demand has encouraged rapid expansion in food retail (up 22% in 2002), HRI (up 28%), and food processing (up 14%)
- ❖ As a result, imports of intermediate and consumer-oriented food products in 2002 increased 30% and 21%, respectively
- ❖ Recent favorable changes in Euro/Dollar and Ruble/Dollar exchange rates have improved price competitiveness of many U.S. food products

ADVANTAGES AND CHALLENGES FOR U.S. EXPORTERS

<i>Advantages</i>	<i>Challenges</i>
Five consecutive years of strong economic growth and rising incomes boost demand for new and better quality food products	While the middle class clearly is expanding, many consumers still are not benefiting fully from the growth of the Russian economy.
Despite steady increases in domestic food production, imports are growing at a strong pace	Some consumers are wary of imported food products, frightened by misleading and inaccurate stories in the local media
Inconsistent availability and quality for some local products create import opportunities for a variety of food and beverage products	Strong competition from products supplied by nearby West European countries and by increasingly sophisticated local producers
Local food processors must source new and better quality food ingredients to compete with imports of consumer-oriented products	Processors often lack access to cheap credit, so may be forced to limit growth or use cheaper imported or local inputs
New western-style supermarkets are rapidly expanding to meet consumer demand for variety and service, creating a good venue for imported products	About 40-50 percent of food purchases in larger cities and 70 percent or more of food purchases in the regions are still made in open markets or small Soviet-style stores
Importers/distributors/processors are beginning to look beyond traditional local or West European suppliers	Longer shipping time for U.S. products ties up importers' funds and complicates supply logistics.

SECTION II. EXPORTER BUSINESS TIPS

As in many markets, business relationships in Russia are usually built through personal contact. Communication by telephone, fax and e-mail is reliable, but dealing with new potential business partners is still best done face-to-face. It is imperative to meet with several importer/distributors before choosing the right partner. Following are general marketing tips for newcomers to the Russian market:

- Take time to research the market for your product. The better you understand local conditions and opportunities, the more likely that you will succeed in finding a buyer.
- Business in Russia is a contact sport. While sales can be negotiated by telephone, fax or e-mail, any attempt to develop a successful, long-term trade relationship will require direct, personal contact.
- If/when you do travel to Russia to visit potential trade partners, don't expect to spend a few days and close a deal. That could happen, but a successful partnership may take months to develop.
- Pay attention to business fundamentals. Business basics - knowing your market, putting the customer first, and offering quality products - are as useful and necessary in Russia as in any other market.
- Don't let culture shock impair your business judgment. Sometime during your first six months, everything may seem hopeless. However, this does not mean that it is.
- Don't expect to do everything at an American pace. While the business environment is improving, many things simply move at a different speed. A good example: Getting around by car or taxi in major cities, such as Moscow and St. Petersburg, can be especially frustrating. Build extra time into your schedule - you will probably need it.

There are several alternative marketing strategies that can be used to enter the Russian market. While there may be considerable overlap among these different types, four broad approaches can be identified:

- Sell directly to a Russian importer/distributor/processor.
- Use the services of an American trading or export management company.
- Sell to an agent/consolidator in Western Europe.
- Establish your own import and distribution facilities in Russia.

A U.S. company, operating on its own, will generally pay higher customs fees, face more difficult inspection procedures, and be forced to contend with more administrative delays than would a local importer. The local importer may or may not also be the distributor. This entity will serve as a conduit for products into Russia and can deal with the numerous barriers to bringing a new product into the country. A model employed by many successful exporters is to use a Moscow or St. Petersburg based trading company to act as primary customer and facilitator of imports. In fact, most imported products sold in Western Russia pass through Moscow and/or St. Petersburg. For the Russian Far East, Vladivostok is home to most importers and the principal import and transshipment point.

If an exporter is willing to invest the necessary time and effort, even to the extent of establishing a representative office, then dealing directly with fast-growing Russian processing companies will provide better margins and the opportunity to respond more quickly to the clients' demands. If the decision is made to establish local representation, this office should be located in Moscow and run by an experienced Russian national to ensure the greatest market coverage.

Following is an overview of local business practices and other information that could be important when considering entry into the Russian market.

ASSESSING THE MARKET FOR YOUR PRODUCTS

There are various aspects to determining whether your product has market potential in Russia:

- Review the information provided in *Section IV. Best High-Value Product Prospects* of this report.
- Participate in one of several established trade shows in Russia. This will allow you to take a first-hand look at the local market, meet potential importers, and gauge how competitive your product is compared to similar products being promoted at the show.
- Review recent Trade Leads submitted by Russian companies. This can give you a general idea about the demand for particular products, as well as give you specific trade contacts.
- Contact ATO Moscow to request a brief market assessment for your product and/or a list of Russian importers.

WORKING WITH A RUSSIAN IMPORTER

Selecting the right trade partner is probably the most important thing you can do to develop your business in Russia. An experienced and reliable importer can help you avoid the kinds of mistakes that could cost your company profits and sales. In this regard, banking and supplier references are essential, as is an examination of the company's experience and business history. There are local and U.S.-based organizations that can help provide this kind of information. However, be aware that credit reporting is still a relatively new practice in Russia, and credit-reporting agencies may not have complete information on potential business partners.

DISTRIBUTION CHANNELS

Most importers also act as a primary wholesalers or distributors. However, one of the key factors influencing any business operation in Russia is the availability of working capital. Some importers simply cannot afford to hold large stocks. In addition, they may be limited in their ability to offer terms to retailers, which has become a very common practice with the larger retailers.

Many wholesalers/distributors, particularly those located in the regions, procure products locally from importers or domestic food processors. Using relatively small but conveniently located warehouses, these businesses supply local retail shops and supermarkets. The means used by wholesalers to distribute products vary widely and are adjusted according to the needs of their retail buyers and local market conditions. Much of this business with smaller retailers and independent shops is still done on a cash and carry basis. Some distributors offer direct delivery based on telephone orders, while others sell exclusively through agents. Through regular personal contact, the agent is expected to know what the retailer needs and delivers goods as frequently as once per day.

The entry of large foreign supermarket/hypermarket chains has had a fundamental impact on food distribution in Russia. Increasingly, these large retailers are buying in bulk directly from local manufacturers. At the same time, the increasing buying power of these retail chains is encouraging consolidation and growth among distributors in an attempt to maintain some balance. Although, up to now, Russian retailers have done little direct import, several of the larger chains are beginning to bring in some items and a few are considering an even larger range of products.

PRICING

Product pricing for the Russian market, as elsewhere, is essentially determined by local market conditions. In fact, retail prices can sometimes vary significantly between relatively nearby cities and even areas within the same city. However, with the spread of large retail chains, pricing is becoming more competitive.

To understand how final prices and margins are determined, it is important to understand the impact of the Russian tax system. The product retail price is based on a several factors/assumptions:

- Import duties vary by product, but generally range from about 5-30 percent (see Appendix III)
- An 18 percent value-added tax (VAT) is levied on imports at the point of entry (note: the VAT on some food products is only 10 percent)
- Customs clearance charges add about 1.25 percent The wholesale mark-up is typically 12-15 percent, while retail mark-up runs 35 percent or more, depending on the product and the retailer
- A profit tax is assessed at 39 percent of gross margin

CREDIT AND PAYMENT TERMS

While the Russian banking system has recovered markedly since the 1998 financial crisis, credit is still relatively expensive and can be difficult to arrange. In addition, Russian bank fees are often high, and it can take much longer to open letters of credit or transfer funds than is common in the United States. However, as the economy improves, the financial operations of Russian banks also are improving. About half the banks that are authorized to open foreign currency accounts also have general licenses enabling them to undertake a full range of foreign currency transactions. Many of these banks have correspondent banks in the United States. Further, several American and foreign banks such as Citibank, J.P. Morgan, Rafeissenbank, Societe Generale, and Credit Suisse are licensed to operate in Russia.

Russian importers are accustomed to making 100 percent prepayment prior to shipment. Where business relationships have become well established, simple bank transfers often are made on the basis of payment on delivery or payment after an agreed number of days. A letter of credit (LC) may be used when required by the foreign supplier, but LCs are expensive and sometimes difficult to arrange, so this is not a favored payment method. Many foreign exporters, particularly those in Western Europe, are offering credit terms to selected partners.

USDA credit guarantee programs (Supplier Credit, GSM-102, GSM-103 and the Facilities Guarantee Program) can help overcome some of these financing problems. For further information on these programs, please visit the FAS website (www.fas.usda.gov) or contact ATOMoscow (see *SECTION V. KEY CONTACTS AND FURTHER INFORMATION*).

BRAND IDENTITY

Foreign food companies were largely responsible for the concept of product brands and brand loyalty through the introduction of imported and, subsequently, locally processed products. However, the idea has quickly caught on among local food producers and retailers. In fact, name-brand food products have benefited from some of the heaviest media advertising, particularly television.

Although imported consumer-oriented food products were trendy and very much in demand during the early 1990's, many consumers are now showing strong interest in old and new local products bearing Russian brand names. Even some foreign food processors have taken advantage of this trend by introducing new products with typically "Russian" brand names. In fact, some of the most successful new food products are produced locally but promoted using a mix of western marketing techniques and traditional Russian values/themes.

Although the concept is relatively new in Russia, several of the larger supermarket chains are beginning to offer a growing range of private label products. Bottled water and juices, produced locally, were among the first products to appear, but the list is growing. In fact, private label products now account for as much as 10-15 percent of total sales in some chains.

ADVERTISING AND PROMOTIONAL ACTIVITIES

According to the *Russian Association of Advertising Agencies*, the local advertising market expanded sharply to an estimated \$3.6 billion in 2003, an increase of nearly 35 percent above the 2002 level. Television advertising, the largest and one of the fastest growing segments, surged by 44 percent to \$1.3 billion. Much of this rapid growth can be attributed to the continued expansion of the local economy and the entry of new, large advertisers. However, higher advertising fees likely contributed to the growth on a value basis. The following table shows projected growth for all segments of the advertising market in Russia.

Table A: Advertising Expenditures, 2001-2003

	2001 (\$Million)	2002 (\$Million)	2003 est. (\$Million)	2003/2002 (% change)
Television	510	900	1,300	44
Radio	70	90	110	22
Newspapers	310	380	450	18
Magazines	160	220	340	55
Billboards	275	400	520	30
Direct Marketing	110	170	220	29
Other	340	520	675	30
Total	1,775	2,680	3,615	35

Source: Russian Association of Ad Agencies; Russian Public Relations Group; ATO est.

Despite this continued strong growth, annual advertisement expenditure in Russia is still less than \$25 per capita, compared with about \$100 per capita in Western Europe. TV ad rates are also much lower compared to western countries. Such low TV rates are possible due to the fact that Russian TV stations do not rely solely on advertising for revenue - they are also financed either by the state or large corporations. Because of the low rates, TV advertising has become the single most favored means of advertising as it allows the advertiser to target virtually all segments of the population at a lower cost than for any other media. However, as suggested above, these rates are increasing, which probably explains the slower growth in 2003 compared to the previous year (76 percent increase in 2002).

There are few regulations prohibiting specific forms or types of advertising. One exception is the ban on TV advertising for tobacco and hard liquor. Growing concern about the rapid increase in beer consumption (albeit largely at the expense of vodka) has led to tighter

restrictions on beer ads, too. While TV advertising is still permitted, no beer ads are permitted during prime time viewing hours when children and teenagers are more likely to be watching. Also, no beer ads in any medium may use cartoon, animal, sport or entertainment figures that could be seen as targeting the youth market.

In-store promotions are becoming increasingly popular, especially in Moscow, as are other point-of-sale advertising and promotional methods commonly used in the U.S. However, such promotions are usually initiated and funded by the distributor or the food processor, rather than by the supermarket chains themselves although this, too, is starting to change.

LOGISTICS AND TRANSPORTATION

Various routes are available for shipment of food products to Russia, each with its own advantages and disadvantages. Some products are sourced through Western European importers or brokers and transshipped by truck or boat to Russian ports. More direct imports previously came via Baltic or Finnish ports and then were shipped by truck or rail to St. Petersburg or Moscow. The advantage of these ports was greater efficiency, fewer problems with loss or damage, and overall lower handling costs. However, changes in Russian import requirements have largely redirected these shipments to Russian ports: St. Petersburg; Novorossisk; and Rostov-on-Don.

Most consumer-oriented food and beverage products enter through St. Petersburg and are customs-cleared there or in Moscow. In fact, the transportation system for shipping U.S. high value food products into Russia via St. Petersburg and Moscow is very well established. Transit time ranges from 20 days to 27 days depending on the origination, with an additional four days shipping time for final delivery by rail or truck to Moscow.

From Moscow, products may move further eastward by truck or rail to cities in Siberia and beyond. In fact, some products are shipped all the way to the Russian Far East (RFE). However, most products destined for the RFE enter through the ports of Vladivostok, Vostochny, Vanino, Nakhodka and Magadan. Although Vostochny is the region's largest port by volume, the majority of U.S. food exports to the Russian Far East enter through Vladivostok.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

As the Russian economy continues to grow and consumer incomes rise, there are emerging opportunities for a wide range of U.S. food products. Following is an overview of the three major food and beverage sectors -- food retail, food processing and food service (HRI). While each sector offers a unique set of challenges, there are also many interesting possibilities for U.S. exporters. For more detailed analysis, please refer to the other reports provided in *SECTION V. KEY CONTACTS AND FURTHER INFORMATION*.

THE RETAIL FOOD SECTOR

- ❖ Rapid expansion of both local and foreign retail food chains
- ❖ Room for further growth as supermarkets/hypermarkets account for only 12-15 percent of sales in Moscow – less in secondary cities
- ❖ Retail food sales surged 22 percent to \$56 billion in 2002
- ❖ In fact, A.T. Kearney's 2003 Retail Development Index ranked Russia as the top expansion target for international retailers
- ❖ Imports of consumer-oriented food products also were up sharply to \$5.6 billion – a 21 percent increase

The value of retail food sales in Russia plummeted following the 1998 financial crisis as consumers were forced to scale back sharply on purchases of imported food products and some higher-priced local delicacies. However, like the rest of the Russian economy, the retail food sector has recovered quickly over the past several years. In fact, retail food sales in 2002 increased by more than 22 percent, reaching a total of \$56 billion.

The most visible sign of growth in the retail food sector has been the rapid introduction and expansion of western-style supermarket chains, particularly in Moscow. Several foreign retailers, including Metro (Germany), Spar (Netherlands) and Auchan (France), have already opened outlets and announced plans for further expansion in Moscow, St. Petersburg, and other secondary cities. France's Carrefour opened a representative office in Moscow last year and continues to discuss plans to open several hypermarkets in Moscow and St. Petersburg. Other retailers (including Wal-Mart) are also rumored to be considering entry into the Russian market.

Not content to sit by and watch the market be carved up by foreign retailers, several local supermarket chains (Perekryostok, Seventh Continent, Pyatorochka, etc.) and one foreign early-entrant (Ramstore) have all launched equally ambitious expansion plans. While the focus for some of these chains (Pyatorochka, Kopeika) is on smaller, neighborhood stores, the trend is definitely for increasingly larger supermarkets and hypermarkets. Financing for many of these projects is coming from the Russian oil industry, which is looking for profitable ways to invest the earnings that has accumulated from high oil prices in recent years.

It is not clear, at this point, if the local retail market can accommodate all of the new supermarkets, hypermarkets, and cash and carry outlets being planned in the short-term. However, two factors point to significant market expansion opportunities over the longer term: 1) per capita retail space in Russia is much less than in other countries in Western and Central Europe; 2) supermarkets currently account for only an estimated 10-15 percent of total retail food sales in Russia (traditional wholesale markets and smaller local shops/kiosks account for the bulk of sales).

The most important aspect of the growth of the supermarket/hypermarket chains is the fact that such stores are more likely to attract middle- and upper- income buyers. As a result, these outlets offer the best opportunity to introduce and expand sales of U.S. food products. Indeed, all of the foreign and most of the local chains offer bright, clean, and convenient facilities, good service and selection, and relatively good value. Again, although supermarkets/hypermarkets currently account for a relatively small share of total retail sales, this is one of the fastest growing areas of the rapidly expanding Russian retail sector.

THE HOTEL, RESTAURANT, AND INSTITUTIONAL (HRI) SECTOR

- ❖ Sharp increases in consumer income, pent-up consumer demand, and expanding tourism are creating a boom in Russia's HRI sector
- ❖ Total turnover in the hotel/resort segment increased by 26 percent in 2002
- ❖ Fast-food chains, both foreign and home-grown versions, are expanding by 14-16 percent annually
- ❖ Sales for mid-level or "democratic" restaurants are growing even faster - as much as 30 percent per year
- ❖ Coffee shops are seeing the fastest growth - 40 percent or more annually
- ❖ As a result, Russia's imports of consumer-oriented food products in 2002 increased by 21 percent to \$5.6 billion
- ❖ However, further expansion is possible as the average Russian consumer spends only seven percent of total food expenditures on meals away from home

The HRI sector may have suffered the most as a result of the 1998 financial crisis. Prior to 1998, this was, perhaps, the fastest growing and most lucrative part of the Russian market for imported foods. However, the sharp ruble devaluation in the months immediately following the crisis wiped out a large part of the Russian middle class. According to industry sources, restaurant revenues dropped by half, and many restaurants found it difficult to remain profitable.

Fortunately, the sector is making an impressive comeback, particularly as reflected in the growth of fast-food outlets and “democratic” (mid-level) restaurants. Total HRI turnover expanded by more than 28 percent in 2002 (\$4.8 billion) and was expected to grow by at least 16-17 percent in 2003. Among the fastest-growing fast-food chains are imports such as McDonald’s and Sbarros and some very successful local chains like Rostiks - the Russian version of Kentucky Fried Chicken.

While most of these fast-food franchises are trying to source as much food locally as possible to keep costs (and prices) down, there are a number of middle-class, foreign-theme restaurants (American Bar and Grill, Starlite Diner, Planet Sushi, etc.) that already use some U.S. products and offer good potential for even greater use of imported products, including beef, pork, seafood, and wine. Portion-controlled and other semi-prepared foods should also gain in popularity. In addition, the expansion of more up-scale restaurants will continue to offer the best prospects for high-end U.S. wine, marble-beef, and specialty seafood products.

THE FOOD PROCESSING SECTOR

- ❖ Total production increased sharply to \$25.9 billion in 2002, up 14 percent over 2001
- ❖ Consumer demand for more product variety and more consistent quality is pushing local food processors to source better quality ingredients
- ❖ Although Russia’s agricultural production is expanding, domestic output of intermediate or semi-processed is still limited
- ❖ As a result, while imports of bulk commodities declined by 16 percent in 2002 to \$2.3 billion, imports of intermediate products surged to \$1.5 billion, a jump of 30 percent
- ❖ Imports of fish and seafood, much of which is destined for further processing, grew even faster – up 36 percent to \$382 million

Ironically, the financial crisis of 1998, which dealt a sharp blow to the economy as a whole, breathed new life into the domestic food processing industry as consumers who could no longer afford imported goods increasingly turned toward less expensive domestic brands. Long suffering domestic food processors suddenly found a captive and growing market for their products. In fact, in some sub-sectors (beer, dairy products, fruit juices) domestic suppliers have captured market share that will be difficult to wrest away.

Those processors who have been able to attract further investment have also done a good job of improving the quality of their products and the sophistication of their marketing efforts. In fact, growing consumer demand for more varied and better quality products helped boost direct investment in the food-processing sector during the first six months of 2003 by nearly 63 percent (in dollar terms), with investments increasing from \$552 million in 2002 to \$898 million in 2003 (Jan-Jun).

While the increasing sophistication of local food processors is creating tougher competition for some imported food products, the rapid growth of the domestic food-processing sector is creating new import opportunities for a wide range of food ingredients. Also, as the Russian economy continues to improve and consumer incomes grow, local processors are finding it necessary to source new and/or better quality ingredients to help maintain market share.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Following are suggested best prospects for U.S. exporters by sector:

Food Retail Sector

- Frozen/processed poultry products
- Frozen/processed beef and pork products
- Fish and seafood products
- Fresh fruit (apples, pears, citrus)
- Dried fruit and nuts
- Convenience foods (including frozen and microwaveable, private label)
- Canned vegetables (including private label)
- Rice and wild rice
- Ice cream and other frozen desserts
- Confectionery
- Wine
- Dietetic/health foods
- Pet foods

HRI Sector

- Chilled/frozen beef and pork
- Fish and seafood products
- Fresh fruit (apples, pears, citrus)
- Dried fruit and nuts
- Frozen vegetables
- Frozen potato products
- Rice and wild rice
- Sauces and seasonings
- Ice cream and other frozen desserts
- Confectionery
- Wine

Food Processing Sector

- Poultry meat and MDM
- Beef and pork trimmings/offals
- Fish and seafood products
- Prunes, raisins, and other dried fruit
- Almonds, pecans, other tree nuts, and peanuts
- Hops
- Soy protein/isolates/flour
- Lactose
- Quality Textured Vegetable Protein (TVP)
- Gluten Powder
- Preservatives and food colors
- Seasonings/spices/flavorings
- Beverage bases
- Frozen/processed fruit
- Specialized food ingredients (emulsifiers, enzymes, etc.)
- Certified organic/natural ingredients
- Kosher and halal-certified ingredients

Table B: Best High-Value Product Prospects

Product Category	2002 Market Size	2002 Imports	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints to Market Development	Market Attractiveness for USA
Poultry Meat	1.9 MMT	1.4 MMT	9%	25%, but not less than 0.2 Euros/kilo + 10% VAT, 18% VAT for processed meat	Country-specific TRQs for meat and MDM. Local production increasing sharply.	US has the largest country TRQ. US leg quarters popular among low-income buyers. MDM use increasing in processing sector.
Beef/Veal	2.5 MMT	0.7 MMT	>1%	15%, but not less than 0.2 Euros/kilo + 10% VAT, 18% VAT for veal, cuts	Import TRQs for frozen and chilled beef. Local beef covers bulk of processing and some retail needs, but output declining. Germany dominates chilled imports; Ukraine, Germany, and Ireland account for most frozen imports.	U.S. country-specific quota. Good prospects for high quality and portion-control beef in fast growing HRI and some upscale retail.
Pork	2.4 MMT	0.8 MMT	10%	15%, but not less than 0.2 Euros/kilo + 10% VAT, 18% VAT for cuts	Import TRQ. Local output increasing and consumption declining. Strong import competition from Brazil and China.	U.S. country-specific quota. Some prospects for high quality and portion-control pork in fast growing HRI and some upscale retail.
Offals		\$111.9 million	35%	15%, but not less than 0.2 Euros/ kilo + 10% VAT		Not covered under TRQ. Good consumer demand, especially for beef liver.
Fish and Seafood	1.1 MMT	0.6 MMT	9%	10% + 10-18% VAT	Recovery in local catch/ production, expected higher prices.	Opportunities for groundfish and salmon, especially underutilized species, for processing. Growing demand for high value products for HRI and retail.
Fresh fruit, deciduous	1.2 MMT	0.6 MMT	20%	Apples: (Jan 1-Jul 31) 0.1 Euro per kg (Aug 1-Dec 31) 0.2 Euro per kg + 18% VAT Pears: 10% + 18% VAT	Cold storage infrastructure limits efficient distribution. Strong competition from Poland, China, Argentina for apples; Argentina and China for pears. Note: Belgium and Netherlands are major transshipment ports.	Good potential for U.S. apples and pears, especially during February- April period.
Dried fruits and nuts		\$62.6 million	<1%	15% + 18% VAT	Tough competition from Iran, Turkey, Chile and Argentina for bulk dried fruits. China, Iran biggest competitors for peanuts and pistachios; Ukraine for walnuts.	U.S. raisins and prunes competitive for quality retail and processing market. U.S. almonds enjoying very strong growth. Good potential for U.S. pecans and other nuts.

Canned fruits and vegetables	\$914.7 million	\$162.5 million	30%	5-15% (duty depends on product, size of package, etc.) + 10% VAT	Local canned production with good brand loyalty; imports account for good share of high-quality market: Bonduelle (France), Eko and Globus (Hungary), Pillsbury (U.S., France, Italy). Imports from Poland, Hungary dominate frozen market.	Market for canned vegetables in particular should show continued strong growth as consumers learn time saving qualities. Good potential for private label products.
Fruit juices/concentrates	1500 mln liters	65 mln liters \$128.0 million	36%	5-15% (duty depends on product, size of package, etc.) + 10% VAT	Strong competition from local packaged juices, some local production of concentrates.	Strong import demand for concentrates, including exotic and some premium juices.
Protein isolates and concentrates		\$21.1 million	14%	10-20% + 10% VAT	Some local production developing, especially foreign companies	Continued strong demand from food processing sector.
Hops		\$15.1 million	17%	5% + 18% VAT	Most brewers are German or German-trained with natural bias in favor of German hops.	Growth in beer output slowed somewhat last year but should grow by 10 percent or more over near term. Limited local hops production.
Convenience Foods	\$1,852 million	\$370 million	10-20%	10-20% + 18% VAT	Expanding local production of various frozen/packaged foods. Strong loyalty for local brands.	Growing demand for more sophisticated products/new tastes. Increasing microwave home use. Growing opportunities for private label products.
Snack Foods	\$748 million	\$150 million	12%	5-15% (duty depends on product, size of package, sugar content, etc.) + 18% VAT	Strong competition from local producers, including some foreign brands such as Lay's (PepsiCo) and Estrella (Kraft) – Pringles from Europe.	Good potential for high quality U.S. snacks: popcorn, nuts, dried fruits mixes.
Rice	710 MMT	380 MMT	<1%	10%, but not less than 0.03 Euros per kilo + 10% VAT	Some local production and low-priced competition from Vietnam/India	Opportunity for high quality U.S. rice, wild rice in HRI and retail.
Wine	580 mln liters	286 mln liters	17%	15-20%, but not less than 2.0 Euros per liter + 18% VAT	Competition from locally produced beer, vodka, plus wine imports from Europe.	Existing wine-drinking culture getting boost from GOR policy to reduce hard alcohol (vodka) consumption. Especially good potential for medium-priced wines.
Pet food	\$206 million	\$21.7 million	23%	20% + 18% VAT	Strong local production - Mars has two plants that produce Whiskas, Kitekat, Pedigree; Nestle's Purina produces Friskies and Darling locally; other imported and local brands, some very inexpensive	Large number of pets and limited consumption

Source: Russian State Statistics Committee (Goskomstat); Russian Customs; Euromonitor; industry estimates; etc.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Contact Information for FAS Offices in Russia and in the United States:

U.S. Agricultural Trade Office
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail: atomoscow@usda.gov

Jeffrey Hesse, Director

For mail coming from the U.S.:

Agricultural Trade Office
PSC 77 AGR
APO, AE 09721

For international mail:

Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistortie 14
00140 Helsinki, Finland

Covering Northwest Russia (St. Petersburg):

ATO Marketing Specialist
American Consulate General
Nevskiy Prospekt, 25
191186 St. Petersburg, Russia
Tel: 7 (812) 326-2580; Fax: 7 (812) 326-2561
E-mail: Maria.Baranova@usda.gov

Covering the Russian Far East (Vladivostok):

ATO Marketing Specialist
American Consulate General
Ulitsa Pushkinskaya, 32
690001 Vladivostok, Russia
Tel: 7 (4232) 300-089; Fax: 7 (4232) 300-089
E-mail: Svetlana.Ilyina@usda.gov

For General Information on FAS/USDA Market Promotion Programs and Activities:

AgExport Services Division
Room 4939
14th and Independence, SW
Washington, DC 20250
Tel: (202) 720-6343; Fax: (202) 690-0193

FAS Website: www.fas.usda.gov

For Trade Policy/Market Access Issues, General Information on the Russian Agricultural Sector, etc:

Office of Agricultural Affairs
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5222; Fax: 7 (095) 728-5133 or 728 5102
E-mail: agmoscow@usda.gov or agmoscow@corbina.ru

Allan Mustard, Minister-Counselor

USDA/FAS AND ATO SERVICES

The Foreign Agricultural Service and the Agricultural Trade Office/Moscow offer a variety of programs, services, and information resources to help U.S. exporters of food, beverage, and agricultural products learn more about the Russian market, establish initial contact with Russian buyers, and promote their products in the local market. Following is a partial listing of programs and services.

Trade Leads are direct inquiries from Russian buyers seeking U.S. sources for specific food, beverage, or agricultural products. U.S. companies can receive these Trade Leads by contacting the AgExport Services Division, FAS/USDA or by visiting the USDA/FAS Homepage (see contact information above).

Buyer Alert is a bi-weekly publication providing information on specific food, beverage, and agricultural products offered by U.S. exporters. U.S. companies may place ads in Buyer Alert by contacting the AgExport Services Division, FAS/USDA (see contact information above).

U.S. Supplier Lists are drawn from an extensive database of companies that can supply a wide range of U.S. food, beverage, and agricultural products. The ATO Moscow supplies these lists to Russian importers on request. U.S. companies that wish to be included in this database should contact the AgExport Services Division, FAS/USDA (see contact information above).

Foreign Buyer Lists are drawn from an extensive database of Russian importers dealing with a wide range of food, beverage, and agricultural products. U.S. companies can order these lists through the AgExport Services Division, FAS/USDA (see contact information above).

The ATO/Moscow also coordinates U.S. participation in local trade shows (see list of Russian Trade Shows below), sponsors supermarket and menu promotions, provides support for trade missions, and can help arrange appointments for first-time visitors to Russia. For more detail on these and other programs or activities, please contact the ATO/Moscow (see contact information above).

The USDA/FAS website is an excellent source of information on other USDA/FAS export promotion/assistance programs, such as the Market Access Program (MAP) and Credit Guarantee Programs, as well as a wide range of information and reports on market opportunities for U.S. food, beverage, and agricultural exports world-wide.

OTHER MARKET REPORTS

Reports on the Russian food and agricultural market are also available on the FAS website. U.S. exporters may also contact ATO/Moscow for copies of these reports (see contact information at the beginning of this section). The following reports may be of particular interest:

Report Title	Report #	Report Summary
Food Processing Ingredients	RS4302	Examines the Russian food processing sector, focusing on market opportunities for U.S. food ingredients, including raw, semi-processed and specialty products
Retail Food	RS4303	Reviews developments in Russian retail food sector, highlighting emerging opportunities for U.S. consumer-oriented food products
HRI Food Service	RS4304	Examines Russian hotel/restaurant/institutional sector, focusing on market opportunities for U.S. products in the food service industry
The Russian Marketplace	RS3310	Quarterly newsletter highlighting developments in the Russian food retail, HRI, and processing sectors
Food and Agricultural Import Regulations and Standards	RS3020	Detailed information on Russia's food import requirements, including certification, labeling and packaging requirements
New Resolution Concerning Use of GMOs in Food Products	RS3031	Overview of new regulations concerning the testing and approval of foods containing of genetically-modified organisms (GMOs)
Livestock and Products Annual	RS3018	Review of the Russian market for beef and pork, including production, consumption and trade.
Poultry and Products Annual	RS3019	Analysis of the Russian market for poultry meat, including production, consumption and trade.
Fishery Products Annual	RS3033	Overview of the Russian market for fish and seafood products meat, including production, consumption and trade.

OTHER USEFUL CONTACTS:

The ATO/Moscow works with a large number of U.S. industry organizations, some of which have local offices to assist U.S. exporters of these food and agricultural products:

U.S. Poultry and Egg Export Council (USAPEEC)
 Petrovskiy Bulvar, 15, Stroyeniye 1
 127051 Moscow, Russia
 Tel.: 7 (095) 980-6140; Fax: 7 (095) 980-6141
 E-mail: usapec@usapec.ru

U.S. Meat Export Federation (USMEF)
 9th Floor, Business Center, Leninsky Prospekt, 2
 117049 Moscow, Russia
 Tel: 7 (095) 239-1578; Fax: 7 (095) 230-6849
 E-mail: Moscow@usmef.org

U.S. Wheat Association
Ul. Petrovka, 27, Stroyeniye 2, Entrance 3
107031 Moscow
Tel: 7 (095) 956-9081
Fax: 7 (095) 956-9080
E-mail: uswmow@dol.ru

U.S. Grains Council (USGC)
1st Kolobovskiy Pereulok
Bld.6, Stroyeniye 3
103051 Moscow, Russia
Tel: 7 (095) 795-0662; Fax: 7 (095) 795-0663
E-mail: fgcmow@online.ru

Pear Bureau Northwest
Ul. Nekrasovskaya, 88 A, 4th Floor, Office 302
690002 Vladivostok, Russia
Tel/Fax: 7 (4232) 491-232
E-mail: info@newmark.ru

Another good source for information on doing business in Russia, the American Chamber of Commerce has offices in Moscow and St. Petersburg:

American Chamber of Commerce in Russia (AmCham)
Ul. Dolgorukovskaya, Building 7, 14th floor
127006 Moscow, Russia
Tel: 7 (095) 961-2141; Fax: 7 (095) 961-2142
Email: amchamru@amcham.ru

American Chamber of Commerce in St. Petersburg
25 Nevsky Prospect, 3rd Floor
191186 St. Petersburg, Russia
Tel: 7 (812) 326-2590; Fax: 7 (812) 326-2591 or 326-2561
Email: st.pete@amcham.ru

For questions on agricultural machinery, food processing and packaging equipment/materials, refrigeration equipment, etc., please contact the Foreign Commercial Service:

Foreign Commercial Service
Bldg. 2, 23/38 Bolshaya Molchanovka
121069 Moscow, Russia
Tel: 7 (095) 737-5030; Fax: 7 (095) 737-5033
E-mail: moscow.office.box@mail.doc.gov
moscow.office.box@mail.doc.gov

APPENDIX I. STATISTICS

Table A: Key Trade & Demographic Information ^{1/ 2/}

Agricultural Imports From All Countries (\$Mil)/US Market Share (%) ^{3/}	9,443 / 8
Consumer Food Imports From All Countries (\$Mil)/US Market Share (%) ^{3/}	5,617 / 10
Edible Fishery Imports From All Countries (\$Mil)/US Market Share (%) ^{3/}	382 / 1
Total Population (Millions)/Annual Growth Rate (%)	144.9 / 0.8 (2003)
Urban Population (Millions)/Annual Growth Rate (%)	106.5 / 1.3 (2003)
Number of Major Metropolitan Areas ^{4/}	10
Size of the Middle Class (Millions)/Growth Rate (%) ^{5/}	19 / 27
Per Capita Gross Domestic Product (US\$)	2,404
Unemployment Rate (%)	8.6
Per Capita Food Expenditures (US\$) ^{6/}	620
Percent of Female Population Employed ^{7/}	92
Exchange Rate (US\$1 = 28.8 Rubles)	As of January 2004

^{1/} Unless otherwise noted, 2002 data

^{2/} Source: Unless otherwise noted, Russian State Statistics Committee (Goskomstat)

^{3/} Source: FAS UN Trade Database

^{4/} Population in excess of 1,000,000

^{5/} Source: Various - based on estimate of individuals earning US\$500-\$2,000 per month

^{6/} Source: Estimate based on annual total retail food sales

^{7/} As percentage of economically-active female population (employed or actively seeking employment)
- female workers account for 41% of the total economically-active population.

Table B: Consumer Food & Edible Fishery Product Imports

	Imports from the World (Million Dollars)			Imports from the U.S. (Million Dollars)			U.S Market Share (Percent)		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
CONSUMER-ORIENTED AG TOTAL	3,433	4,642	5,617	389	679	535	11	15	10
Snack Foods (excl. Nuts)	215	263	252	2	1	1	1	0	0
Breakfast Cereals & Pancake Mix	10	18	11	1	1	1	2	1	2
Red Meats, Fresh/Chilled/Frozen	619	935	1,414	78	59	70	13	6	5
Red Meats, Prepared/Preserved	65	65	64	1	1	1	2	2	2
Poultry Meat	366	756	816	257	565	417	70	75	51
Dairy Products (excl. Cheese)	184	230	188	26	13	1	14	5	1
Cheese	64	166	235	1	1	1	1	0	0
Eggs & Products	4	8	12	1	1	1	3	4	1
Fresh Fruit	559	595	742	1	1	3	0	0	0
Fresh Vegetables	202	162	224	1	1	1	0	0	1
Processed Fruit & Vegetables	349	317	380	8	4	6	2	1	2
Fruit & Vegetable Juices	57	85	131	1	1	1	0	0	1
Tree Nuts	20	27	23	4	6	6	21	21	26
Wine & Beer	248	340	361	1	2	2	0	1	0
Nursery Products & Cut Flowers	42	75	94	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	14	18	22	1	1	1	4	5	6
Other Consumer-Oriented Products	415	583	651	9	25	24	2	4	4
FISH & SEAFOOD PRODUCTS	158	280	382	7	5	5	4	2	1
Salmon	9	23	41	4	1	1	42	0	0
Surimi	2	5	11	1	1	1	31	23	4
Crustaceans	5	13	23	1	1	1	1	1	0
Groundfish & Flatfish	15	35	44	1	1	2	2	4	5
Molluscs	1	5	11	1	1	1	11	4	1
Other Fishery Products	126	198	251	2	2	2	2	1	1
AGRICULTURAL PRODUCTS TOTAL	7,041	8,546	9,443	715	910	713	10	11	8
AGRICULTURAL, FISH & FORESTRY	7,294	8,964	10,001	724	917	721	10	10	7

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

CONSUMER-ORIENTED AG TOTAL (\$1,000)				FISH & SEAFOOD PRODUCTS (\$1,000)			
	2000	2001	2002		2000	2001	2002
Brazil	33,972	232,936	712,803	Norway	68,999	94,918	157,484
United States	388,701	679,324	535,354	Latvia	10,642	35,459	39,674
Germany	246,864	487,213	487,685	United Kingdom	16,439	12,982	24,465
Ukraine	482,298	557,631	461,391	Denmark	4,310	10,861	24,069
Poland	175,826	202,571	284,792	China (Peoples Rep)	2,866	13,824	19,493
Netherlands	198,864	195,305	271,722	Lithuania	4,215	14,111	16,784
France	157,129	180,588	232,904	Kazakhstan	6,803	10,247	12,952
China (Peoples Rep)	57,367	91,465	222,881	Mauritania	7,494	22,266	12,233
Ecuador	156,143	165,369	191,361	Estonia	5,076	8,577	7,602
Moldova	177,312	200,591	173,791	Ukraine	3,747	11,292	6,634
Italy	72,510	128,114	147,116	Chile	277	3,913	6,204
Spain	83,941	121,478	146,682	United States	6,921	4,806	4,809
Finland	49,366	81,604	129,965	Spain	683	2,325	4,322
Turkey	47,647	93,553	122,545	Poland	1,854	2,795	4,113
Denmark	81,511	100,795	106,908	Canada	665	2,773	3,445
Other	1,023,944	1,123,614	1,388,988	Other	17,013	28,859	37,286
World	3,433,474	4,642,251	5,616,928	World	158,029	280,028	381,570

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

APPENDIX II. OTHER ECONOMIC AND DEMOGRAPHIC DATA

The Russian economy has expanded sharply following the 1998 economic crisis and Ruble devaluation. The table below shows this growth during the 1997-2003 period.

Table A: GDP Growth (%), 1997-2003

1997	1998	1999	2000	2001	2002	2003
1.4	-5.3	6.4	10.0	5.0	5.0	7.0

Source: Russian State Statistics Committee (Goskomstat)

As indicated in the following table, the Russian population is largely urban. The two largest cities are Moscow (nine million) and St. Petersburg (five million). Although not widely known, Moscow's total metropolitan population of nearly 18 million makes it the largest city in Europe. Another 12 cities across Russia have populations in excess of one million each.

Table B: Resident Population

Year	Total	Urban		Rural	
	Million	Million	%	Million	%
1979	137.4	94.9	69	42.5	31
1989	147.0	108.0	73	39.0	27
1999	146.3	106.8	73	39.5	27
2000	145.6	106.1	73	39.5	27
2001	144.8	105.6	73	39.2	27
2002	144.0	105.1	73	38.9	27
2003	145.2	106.5	73	38.7	27

Source: Russian State Statistics Committee (Goskomstat)

The majority of Russians live in the western or European part of the country (the area west of the Ural Mountains), but there are also large cities in Central Russia and the Russian Far East (RFE). In fact, the major RFE cities of Vladivostok and Khabarovsk, with about 650,000 inhabitants each, provide an important market for products shipped the U.S. West Coast.

However, the Moscow/St. Petersburg region remains the most important market in Russia simply because of its overall population, developed market structure and, most important, significantly greater affluence. In fact, Moscow accounts for more than 60 percent of the country's financial and economic wealth. In addition, many buyers in outlying regions source their products through Moscow, which is the major transportation hub for truck, air, rail and shipping lines.

Table C: Resident Population (by age/gender)

	Millions	%	Females/ 1,000 males
Working age (16-59 men; 16-54 women)	87.3	60.7	976
Below working age (below 16)	26.8	18.6	953
Above working age (above 59 men; above 54 female)	29.9	20.7	2,177
Total	144.0	100.0	1,139

Source: Russian State Statistics Committee (Goskomstat)

APPENDIX III. IMPORT DUTIES/VAT FOR SELECTED PRODUCTS ^{1/}

Product/Category	HS Code	Import Duty	VAT
Meat and Meat Products	0201-0206	15%, but not less than 0.2 - 0.25 Euros per kilo ^{2/}	10%; 18% for veal, beef cuts, tongue
Poultry and Poultry Products	0207	25%, but not less than 0.2 Euros per kilo ^{2/}	10%; 18% for processed products
Seafood	0301-0307	10%	10%; 18% for some products, incl. salmon, sturgeon, and fish roe
Dairy Products	0401-0406	15%, but not less than 0.18 - 0.30 Euros per kilo	10%
Fresh/Dried Vegetables	0701-0714	5-15%, but not less than 0.08 - 0.12 Euros per kilo	10%
Fresh/Dried Fruit and Nuts	0801-0813	5-10%	18%
Coffee, Tea, and Spices	0901-0910	5-20%, but not less than 0.2 - 0.8 Euros per kilo	18%
Grains	1001-1008	5%; rice - 10%, but not less than 0.03 Euros per kilo	10%
Wheat Flour, Starch, Malt, Grain Preps, Gluten	1101-1109	10%, but not less than 0.03 Euros per kilo	18%; 10% for flour
Oilseeds and Oilseed Products	1201-1214	5%	10%
Sausage, Canned Meat and Seafood	1601-1605	15-20%	18%; 10% for liver sausage and some canned fish, incl. tuna, herring, mackerel
Sugar and Confectionery Products (not including cocoa products)	1701-1704	5%	18%; 10% for sugar and fructose
Cocoa and Cocoa Products	1801-1806	5-10%	18%; 10% for cocoa butter and fat
Pasta and Baked Products	1901-1905	15%, but not less than 0.06-0.15 Euros per kilo	18%; 10% for pasta products
Canned Fruit/Vegetables, Juices	2001-2009	5-15%	10%
Instant Soup, Ice Cream, Baby Food, Food Ingredients	2101-2106	10-20%	18%; 10% for sauces, ketchups, soups, bullions, food mixes
Alcoholic Beverages	2201-2209	15-20%, but not less than 2.0 Euros per liter	18%
Animal Feed	2309	5-20%, but not less than 0.16 Euros per kilo	10%; 18% for pet food packed for retail

^{1/} The duties listed here are for illustrative purposes only. For specific product information, please contact the ATO/Moscow.

^{2/} Tariff rate quotas (TRQs) were introduced for meat and poultry products (HS Code 0201-0207) in 2003. Out-of-quota tariffs are 60-80%.

APPENDIX IV. RUSSIAN IMPORT REGULATIONS

General Import Regulations

Shipping food or beverage products into Russia can be a bureaucratic and time-consuming process that is best handled either by a freight-forwarder or an experienced Russian importer. The process involves two main steps: (1) Safety, Phytosanitary and Veterinary Clearance; and (2) Customs Clearance.

Although the information provided in this guide is considered accurate at the time of publication, exporters should confirm the exact import requirements for all products prior to shipment. Also, please be aware that there may be specific import requirements for some products that are not addressed fully in this document.

The following documents are required for all shipments. Further information on each of these documents is provided in this section.

- Delivery Contract
- Bill of Lading
- Freight customs declaration
- Certificate of Origin
- Hygiene or Veterinary Certificates, as necessary
- Manufacturer's Certificate of Quality

Labeling and Packaging Requirements

Russian labeling laws have undergone several changes in recent years. Ultimately, Russian importers are responsible for complying with these labeling laws. Below are generic label requirements in force at the time of this publication. In addition, there may be additional requirements for certain product categories. Please note that all information must be in Russian.

- Name of the product
- Type, grade or category of the product
- Name, country, address of producer, packer, exporter and importer of the product
- Weight (net and gross) or volume of the product
- Nutritional quality of the product
- Ingredients
- Date of processing
- Storage conditions
- Shelf-life of the product
- Conformity stamp (RST) and certification code

Currently, importers are allowed to place labels with this information in the Russian language after the product reaches Russia. The current law also states that, if the package is small or the label cannot include all the necessary text, this information may be printed separately and enclosed with each unit of the product. Please confirm the specific labeling requirements for your product with your Russian importer to ensure that your product labeling complies with the current law. For additional information on the Russian import regulations and standards, please read the FAS Gain report # RS3020 'Food and Agricultural Import Regulations and Standards' at www.fas.usda.gov under the category "Attaché Reports".

Certificate of Conformity

GOSSTANDART (State Standards Committee) is the national body responsible for the certification of goods. A complete schedule of goods subject to mandatory certification is published and includes foodstuffs and beverages of local and foreign origin. Full certification according to standards set by GOSSTANDART is mandatory for all imported product. The most important certification for imported product is the Certification of Conformity (called GOST-R), which is issued by the Russian Research Institute for Certification (VNIIS). Testing is performed by the Testing and Certification Center (Rostest), which provides a full range of quality control and inspection facilities in Russia. However, the Certificate of Conformity can be issued in the United States. Inquiries about pre-certification can be made to Control Union Inspection, Inc. or to the U.S. Testing Company, Inc. of New Jersey, which is a subsidiary of the private survey company, SGS. These companies can also provide further information on certification requirements and the costs of testing. The advantage in obtaining the Certificate of Conformity in the United States is that testing in Russia can take two months or more.

Hygiene Certificate

This is required for all food products, additives, and preservatives. The State Committee on Sanitation and Epidemic Control (Goskomsanepidemnadzor) issues the certificates for children's foods, food additives, non-traditional forms of unprocessed food, as well as food products purchased under international agreements. Goskomsanepidemnadzor is responsible for sanitary and hygiene regulations. It issues Hygiene (Sanitary) Certificates through its Moscow certification laboratories. This committee also works closely with the Institute of Nutrition that operates under the supervision of the Russian Federation's Academy of Medical Science. The Hygiene Certificate can also be handled through the U.S. testing centers mentioned above. Local departments of Sanepidemnadzor may issue certificates for other food products.

Specific Import Regulations: Meat and Poultry

Russian Government veterinary authorities determine which meat and poultry products may be imported and establish the import requirements for these products.

Eligible Products

The following products are eligible for export from the United States to Russia: poultry meat and poultry products, beef and beef products, pork and pork products. All raw and processed meat products intended for export to Russia must comply with USDA standards and regulations.

Ineligible Products

The following meat products are not eligible for export from the United States to Russia: ground red meat packaged in bulk form or in meat patties; beef products originating from beef animals raised in states where outbreaks of vesicular stomatitis are occurring; consumer-size packages of ground or mechanically-deboned poultry meat and giblets; poultry products originating from birds originating in specific counties in states affected by an outbreak of laryngotracheitis.

For current information regarding disease status in restricted regions, please contact the Food Safety and Inspection Service (FSIS), Technical Service Center, Omaha, Nebraska, tel: (402) 221-7400, fax: (402) 418-8914. For up-to-date information on import requirements

for Russia, please contact the Export Coordination Division of FSIS, tel: (202) 501-6022, fax: (202) 501-6929. You can also get the latest import requirements by contacting FSIS through the USDA Home Page: www.usda.gov.

Veterinary Certificates

All meat and poultry products shipped from the United States require USDA/FSIS Form 9060-5--Export Certificate of Wholesomeness. In addition, the following certificates are also required:

For raw pork, including bacon and pork for retail sale: FSIS Form 9450-3(8/97) Veterinary Certificate for Pork Meat Exported to the Russian Federation.

For pork casings: FSIS Form 9450-6 (7/95) Veterinary Certificate for Pork Intestine Raw Material, Exported Into the Russia Federation.

For poultry: FSIS Form 9450-4(3/96) Veterinary Certificate for Poultry Meat Exported into the Russian Federation.

For raw beef: FSIS Form 9450-5 (6/94) Veterinary Certificate for Beef Meat Exported into the Russian Federation.

For fully cooked meat and poultry products and heat-treated but not-fully-cooked meat products: FSIS Form 9450-7 (7/95) Veterinary Certificate for Prepared Meat Products Exported into the Russian Federation.

All certificates accompanying product into the Russian Federation must be signed by a FSIS veterinarian. For guidance in completing the proper documents, contact FSIS, Technical Service Center, Export Division, tel: (402) 221-7400, fax: (402) 418-8914.

Processing/Packing Plant Certification

Poultry

All establishments that process or store raw poultry intended for export to the Russian Federation must be inspected by an official of the Russian Ministry of Agriculture and included in the approved plant list for raw poultry prior shipping products to Russia. Establishments are inspected at their own expense. The requirements for these establishments are outlined in The US-Russia Criteria for Processing and Refrigeration Facilities Exporting Poultry to the Russian Federation. For additional information on plant inspection, copies of inspection criteria or an approved plant list, please contact FSIS, Technical Service Center, Export Division, tel: (402) 221-7400, fax: (402) 418-8914.

Pork

All establishments that process or store raw pork intended for export to the Russian Federation must be inspected by an official of the Russian Ministry of Agriculture and included in the approved plant list for raw pork prior to being eligible to export products to Russia. Establishments are inspected at their own expense. For additional information on plant inspection, copies of inspection criteria or an approved plant list, please contact FSIS, Technical Service Center, Export Division, tel: (402) 221-7400, fax: (402) 418-8914.

Other Meat Products

Fully cooked pork products, pork casings, beef and beef products, fully cooked poultry products, and heat-treated but not-fully-cooked poultry products can originate from any federally inspected facility.

Processed Food Products

Processed food products must comply with the general import requirements discussed above. In addition, if the product contains meat or poultry, it must comply with the requirements for importing meat and poultry products. Fish and seafood products must be from plants approved by the U.S. Food and Drug Administration (FDA), tel: (202) 418-3163, fax: (202) 418-3196. Please note that there may be additional import requirements for certain processed food and beverage products. Always check with your importer to be certain that your products meet Russian standards prior to shipment.

Russian Regulatory Bodies

Below is a list of important Russian regulatory agencies involved in approving food imports. Contact information can be found at the end of this appendix.

Gosstandart, the State Standards Committee of Russia, is the national body for the certification of goods. A schedule of goods that are subject to mandatory certification is published and includes foodstuffs and beverages, whether of local or foreign origin.

The Russian Research Institute for Certification (VNIIS) issues the Certificate of Conformity.

The Russian Testing and Certification Center (ROSTEST) provides a full range of quality control and inspection facilities in Russia.

Goskomsanepidernadzor, the State Committee on Sanitation and Epidemic Control, is responsible for sanitary and hygiene regulations.

Customs Clearance

As a general rule, customs clearance is undertaken at the customs office for the designated address of the importer, and goods have to travel under seal to the clearance point. All customs documentation should be provided in the Russian language. Fees are levied for customs clearance and these depend upon the regime applicable to the commodity. Fees are normally 1% of contract value with a further 0.05% due in foreign currency. Clearance procedures, although formally spelled out, often appear to be applied inconsistently.

Import Duties

Import duties are levied on imported foodstuffs at varying rates with the actual amount paid depending on the contract value. Please note that sub-categories within the main tariff categories may attract different rates. Also, tariff levels and customs procedures may change abruptly. Moreover, reclassification of product lines occurs frequently and such reclassification can be made retroactively. The customs office gives weekly briefings about these changes. It is crucial to determine the correct tariff category before the product is shipped to avoid unpleasant (and expensive) surprises or unnecessary delays in customs clearance.

Russia is currently negotiating to join the World Trade Organization. Upon accession, Russian will need to make further changes in its tariffs.

Excise Duties

Excise duties are levied on imported alcoholic beverages. This tax can be as high as 200 percent.

Value-added Tax

A value-added tax (VAT) is applied to all food and beverage products. For imported products, the VAT is collected at the time of importation. As of January 1, 2004, the maximum value-added tax (VAT) was reduced to 18%.

Customs Brokers

There are a growing number of Russian companies that specialize in customs clearance and other customs-related problems and issues. For a list of these companies, please contact ATO/Moscow.

Potential Import Problems to Avoid

Exporting products into Russia can be a daunting task for the inexperienced U.S. exporter. Even more experienced exporters encounter problems and delays due to sudden changes in Russian import requirements or customs regulations. For this reason, always check with your Russian importer or other sources to ensure that your shipment has all necessary documentation prior to shipment. Some of the more common problems include: errors or omissions on required documents and forms; missing documents and certificates; product price discrepancies (e.g., the invoice price does not match Russian customs officials' price determination); meat or poultry products shipped from a packing plant or facility not certified by Russian veterinary officials; duties, tariffs and VAT not paid in advance, delaying customs clearance for the shipment. (Note: customs duties and VAT must be paid before the product will be cleared by Russian customs authorities unless the product is shipped, under the seal, to a Russian bonded, customs-approved warehouse.

Contact Information for Russian Regulatory Agencies

State Standard Committee (Gosstandart)

Moscow, Leninsky Prospekt, 9

Tel: 7 (095) 230-1320

Maria F. Mishina, Head of Division of Standardization and Certification of Food and Ag Products

Tel: 7 (095) 237-5468; Fax: 7 (095) 237-6231

State Committee on Sanitary and Epidemiological Surveillance of the RF
(GOSKOMSANEPIDEMNAZOR)

Moscow, Vadkovskiy per., 18/20

Tel: 7 (095) 973-2748; Fax: 7 (095) 200-0212, 258-4497

Yevgeniy N. Belyaev, Chairman

Tel: 7 (095) 973-2748; Fax: 7 (095) 200-0212

Anatoliy A. Monisov, Vice Chairman

Tel: 7 (095) 973-2666, 973-1803, 973-2674; Fax: 7 (095) 258-4497

All-Russian Scientific-Research Institute for Certification (VNIIS)

Moscow, Elektricheskiy per., 3

Boris Krutov, Head of Section

Tel: 7 (095) 253-3580; Fax 7 (095) 253-3360

Rostest - Moskva, Russian Center for Test and Certification, GOSSTANDART, RF
31, Nakhimovsky Prospect, 117418, Moscow
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Tel. 7 (095) 129-3200; Fax 7 (095) 124-9966